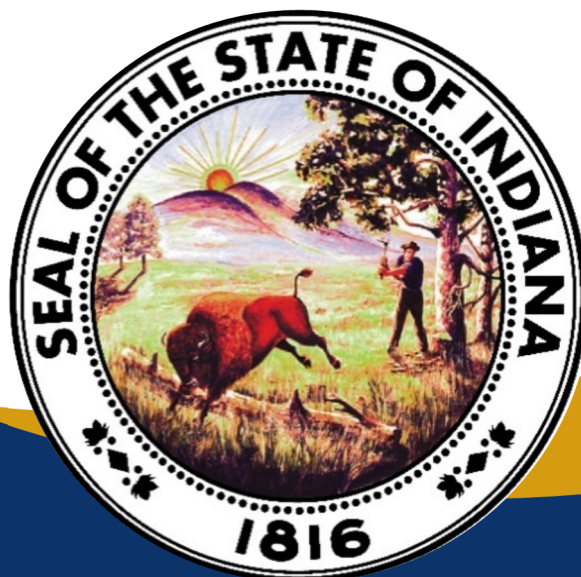


**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

**Paul D. Joyce, CPA
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT
OF
GARY COMMUNITY SCHOOL CORPORATION
LAKE COUNTY, INDIANA
July 1, 2022 to June 30, 2024



FILED

03/12/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary Comer	07-01-22 to 06-30-25
Chief Financial Officer	Nicole Wolverton Mary Comer (interim) Linda Zaborowski	07-01-22 to 06-30-23 07-01-23 to 08-18-24 08-19-24 to 06-30-25
Emergency Manager	Paige McNulty Mike Raisor	07-01-22 to 06-30-23 07-01-23 to 06-30-24
Superintendent of Schools	Yvonne Stokes	07-01-24 to 06-30-25
President of the School Board	Michael Suggs	07-01-24 to 06-30-25



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State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE GARY COMMUNITY SCHOOL CORPORATION, LAKE COUNTY, INDIANA

This report is supplemental to the audit report of the Gary Community School Corporation (School Corporation), for the period from July 1, 2022 to June 30, 2024. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the School Corporation. It should be read in conjunction with the Financial Statement Audit Report of the School Corporation, which provides our opinions on the School Corporation's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

February 11, 2025

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS - FINANCIAL REPORTING

Condition and Context

There were deficiencies in the internal control system of the School Corporation related to financial reporting. The failure to establish internal controls could have enabled material misstatements to occur and remain undetected.

The School Corporation did not have a system of internal controls over the preparation of the Annual Financial Report (AFR) entered into the Indiana Gateway for Government Units financial reporting system, which was the source for the financial statement. One employee prepared and submitted the AFR without evidence of an oversight or review process to ensure the accuracy and completeness of the financial information submitted.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

INTERNAL CONTROLS - COMPLIANCE

Condition and Context

Internal control deficiencies resulted in the noncompliance over:

- Annual Financial Report
- Capital Assets
- Overdrawn Cash Balances
- Average Daily Membership (ADM) - Lack of Records
- Accounts Payable Voucher Deficiencies

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

These internal control deficiencies are further detailed in the comments below.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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ANNUAL FINANCIAL REPORT

The same comment also appeared in prior Report B61043.

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement, Other Information, and the Schedule of Expenditures of Federal Awards (SEFA). Effective internal controls were not established to ensure the accuracy and completeness of the information submitted in the AFR, which resulted in the following errors:

Capital Assets

Amounts were reported in the AFR for the value of the capital assets owned by the School Corporation, totaling \$7,892,739 and \$7,892,749, as of June 30, 2023 and 2024, respectively.

The amounts reported in the AFR were not supported by a complete, detailed capital asset listing. Furthermore, the reported amounts in the AFR for Land, Infrastructure, Buildings, Construction in Progress, Books and Other, and Other Nondepreciable Assets were \$10 for each category. These categories were determined to be materially understated since the School Corporation owns land, buildings, books, and other nondepreciable assets.

Due to the material errors noted, the School Corporation approved the omission of the Schedule of Capital Assets from the Financial Statement Audit Report of the School Corporation.

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Debt

The School Corporation omitted the Common School Loans outstanding balance, which resulted in the understatement of the Ending Principal Balance and Principal Due Within One Year by \$32,785,360 and \$3,806,932, respectively, as of June 30, 2024.

Adjustments were proposed, accepted by the School Corporation, and made to the AFR and Schedule of Leases and Debt presented in the Financial Statement Audit Report of the School Corporation.

Grants

The grants reported in the AFR had the following errors:

- Several grants for fiscal year 2022-2023 had individually immaterial errors that resulted in a combined absolute misstatement of \$1,336,818 for grant expenditures reported.
- Several grants for 2023-2024 had individually immaterial errors that resulted in a combined absolute misstatement of \$3,510,812 for grant expenditures reported. These combined misstatements totaled \$4,847,630.
- Other errors include federal grant agency names, pass-through entity names, program names, assistance listings numbers, and identifying numbers.

Adjustments were proposed, accepted by the School Corporation, and made to the AFR and the SEFA presented in the Federal Compliance Audit Report of the School Corporation.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

CAPITAL ASSETS

The same comment also appeared in prior Report B61043.

Condition and Context

Internal controls were not in place to ensure a complete and accurate capital asset listing was maintained.

The School Corporation did not have a capital asset policy that details a threshold at which an item is considered a capital asset.

The School Corporation did not maintain a detailed listing of land, other nondepreciable assets, buildings, and books the School Corporation owns. A detailed listing of equipment items was provided; however, without a policy, the Indiana State Board of Accounts could not determine the accuracy and completeness of the listing.

GARY COMMUNITY SCHOOL CORPORATION
 AUDIT RESULTS AND COMMENTS
 (Continued)

Furthermore, the School Corporation did not complete a physical inventory within the last two years as required.

The School Corporation did adopt Policy #7455 Accounting System for Capital Assets on November 13, 2024.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

OVERDRAWN CASH BALANCES

The same comment also appeared in prior Reports B52730, B57065, and B61043.

Condition and Context

Internal controls were not in place to ensure cash and investment balances were not overdrawn.

The financial statement included funds with overdrawn cash and investment balances at June 30, 2023 and 2024. Cash balances of some of the School Corporation's funds were overdrawn due to grant funds operating on a reimbursement basis. Reimbursement grants require the School Corporation to expend funds and subsequently request reimbursement. The School Corporation funds with overdrawn cash balances, excluding the overdrawn grant funds awaiting reimbursement as required by the Indiana Department of Education, at June 30, 2023 and 2024, are as follows:

Fund	Amount Overdrawn as of June 30,	
	2023	2024
GAPS	\$ 32,265	\$ 20,925
SPED Preschool 619 21-23	34,948	35,060
SPED Preschool 619 22-24	-	69,004
BSCA 23-24	-	90,348
Carl D. Perkins 6271	-	129,203
McKinney Vento APR HCY	300	300
IDEA 611 APR HCY	287,831	58,133
IDEA 619 APR HCY	1,188	11,984
Grp Health Ins	162,730	228,479
Dental Insurance	63,859	96,395

The primary factor for overdrawn funds was due to disbursements in excess of receipts.

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Criteria

The cash balance of any fund may not be reduced to below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)

AVERAGE DAILY MEMBERSHIP (ADM) - LACK OF RECORDS

The same comment also appeared in prior Reports B57065 and B61043.

Condition and Context

Internal controls were not in place to ensure that proper documentation and policies were retained for the verification of a student as an eligible pupil. Of the 60 virtual students tested, supporting documentation was not provided to support the residency requirements for 30 students.

In addition, the School Corporation did not have a formal residency verification policy that was adopted (or readopted) during the audit period. The School Corporation adopted residency policy #5111 on September 11, 2024.

Criteria

Indiana Code 5-15-6-3 states:

"No financial records or records relating to financial records shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the state board of accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced in accordance with a retention schedule or with the written consent of the administration."

Officials shall maintain records (enrollment cards, rosters, reporting forms, etc.) which substantiate the number of students claimed for ADM.

The building level official (Principal, Assistant Principal, etc.) is responsible for reporting ADM to the School Corporation Central Office, must provide a written certification of ADM to properly document responsibility. The certification must at a minimum include a statement detailing the names and location of the records used (these records must be retained for public inspection and audit) to substantiate ADM claimed.

(Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 9)

ACCOUNTS PAYABLE VOUCHER DEFICIENCIES

Condition and Context

Internal controls were not in place to ensure all disbursements were supported by a properly completed accounts payable voucher or were properly certified and approved as required.

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Disbursements are to be supported by a fully itemized invoice and a claim, which is also called an Accounts Payable Voucher (APV). The APV is the required prescribed form to document the fiscal officer certification and governing board allowance. The fiscal officer and governing board have the choice to either sign each APV individually or an APV register. The following deficiencies were noted:

- APVs were not provided for 3 of 9 disbursements tested posted to the School Lunch fund totaling \$25,462.
- APVs were not provided for 4 of 15 disbursements tested posted to one of the Education Stabilization grant funds totaling \$2,278,646.
- The 7 disbursements, totaling \$2,304,108, were determined to be listed on APV registers submitted to the Distressed Unit Appeals Board for review; however, the APV registers did not contain any signatures certifying or approving the disbursement by the fiscal officer or the Emergency Manager.

Criteria

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

Indiana Code 6-1.1-20.3-8.5(b) states in part:

"Notwithstanding any other law, an emergency manager of a distressed political subdivision appointed under this chapter shall assume and exercise all of the power, authority, and responsibilities of both the executive and the fiscal body of the political subdivision during the time the political subdivision is a distressed political subdivision. An emergency manager's power, authority, and responsibilities include the following: . . .

- (5) Approving payrolls and other claims against the political subdivision before payment.
- (6) Making, approving, or disapproving the following:
 - (A) A contract.
 - (B) An expenditure. . . ."

GARY COMMUNITY SCHOOL CORPORATION
AUDIT RESULTS AND COMMENTS
(Continued)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Indiana Public School Corporations, Chapter 1)



900 Gerry Street, Gary, IN 46406
(219) 881-5536

"DOING WHAT IS BEST FOR STUDENTS
TODAY, TOMORROW AND EVERY DAY."

Linda Zaborowski, Chief Financial Officer
lzaborowski@garycsc.k12.in.us

OFFICIAL RESPONSE

February 21, 2025

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

RE: Response to Audit 2022-2024

Linda Zaborowski,
Chief Financial Officer (CFO)

The Gary Community School Corporation is fully committed to addressing the audit findings for the time period of July 2022 – June 2024. Our team has taken proactive steps and developed new corrective action plans, which will be implemented by District staff by July 2025.

We recognize that the school corporation has faced many challenges in recent years, but we are pleased to report that substantial progress has been made in improving the District's financial stability and solvency.

As part of our ongoing efforts, our team will continue to refine and strengthen policies and procedures, invest in training for our staff and improve our documentation processes. These initiatives will help ensure that our operations are accurate, efficient, and fully comply with the State Board of Accounts' guidelines.

In short, our overall goal is continuous improvement in all areas, and we will diligently work to address every concern identified in the audit to further our mission of providing the best educational experience for the students we serve.

GARY COMMUNITY SCHOOL CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on February 11, 2025, with Mary Comer, Treasurer; Linda Zaborowski, Chief Financial Officer; Yvonne Stokes, Superintendent of Schools; Michael Suggs, President of the School Board; Danita Johnson-Woods, School Board member; Glenn Johnson, School Board member; Vanessa Allen-McCloud, School Board member; and Dee Etta Wright, Chief Operations Officer.